

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

June 30, 2005

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Independent Auditor's Report

To the Board of Education of
East Buchanan Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Buchanan Community School District, Winthrop, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Buchanan Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 10, 2005, on our consideration of East Buchanan Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 37 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Buchanan Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004, (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

October 10, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

East Buchanan Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 Financial Highlights

- General Fund revenues increased from \$4,238,271 in fiscal 2004 to \$4,328,921 in fiscal 2005, while General Fund expenditures decreased from \$4,533,620 in fiscal 2004 to \$4,517,772 in fiscal 2005. The District's General Fund balance decreased from \$1,434,939 in fiscal 2004 to \$1,204,656 in fiscal 2005
- The increase in General Fund revenues was attributable to an increase in state and federal grant revenue in fiscal 2005.
- The decrease in expenditures was due primarily to the savings realized in the new way the district negotiates medical insurance coverage.
- One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal year 2005. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the East Buchanan Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report for the East Buchanan Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the East Buchanan Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

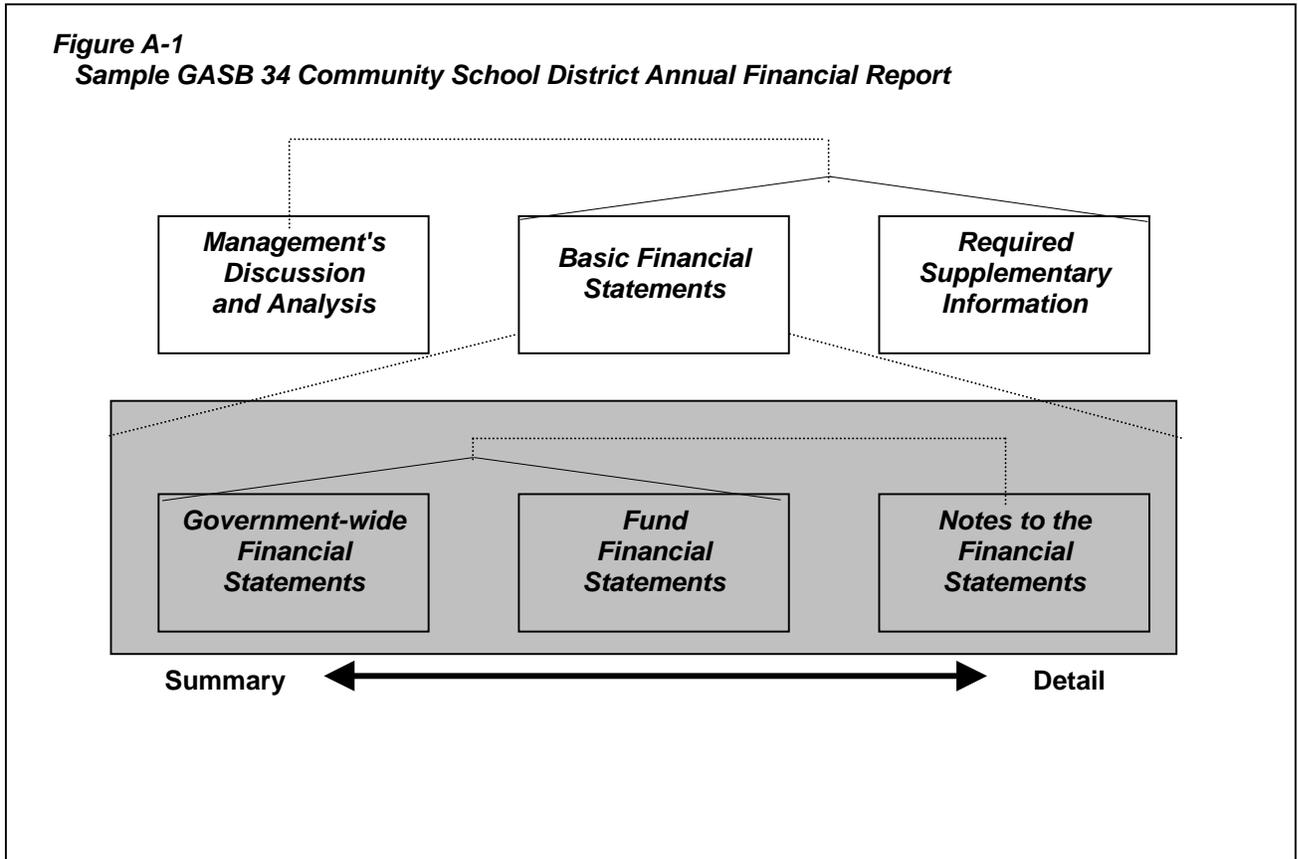


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2004.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2004-2005
	Governmental Activities		Business-type Activities		Total School District		
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,113,021	4,274,537	43,413	31,789	4,156,434	4,306,326	-3%
Capital assets	3,122,486	3,017,306	17,857	20,909	3,140,343	3,038,215	3%
Total assets	7,235,507	7,291,843	61,270	52,698	7,296,777	7,344,541	-1%
Long-term liabilities	350,642	630,167	-	-	350,642	630,167	-44%
Other liabilities	2,233,315	2,319,054	1,743	1,722	2,235,058	2,320,776	-4%
Total liabilities	2,583,957	2,949,221	1,743	1,722	2,585,700	2,950,943	-12%
Net Assets:							
Invested in capital assets, Net of related debt	3,101,818	2,778,013	17,857	20,909	3,119,675	2,798,922	11%
Restricted	420,301	238,892	-	-	420,301	238,892	76%
Unrestricted	1,129,431	1,325,717	41,670	30,067	1,171,101	1,355,784	-14%
TOTAL NET ASSETS	4,651,550	4,342,622	59,527	50,976	4,711,077	4,393,598	7%

The District's combined net assets increased by nearly 7%, or approximately \$317,479, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$181,400 over the prior year. The increase was primarily a result of decreased expenditures in the Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$184,700, or 14%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the years ended June 30, 2005 and 2004.

Figure A-4

	Change in Net Assets						Percentage Change 2004-2005
	Governmental Activities		Business-type Activities		Total School District		
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	435,665	429,224	136,904	130,229	572,569	559,453	2%
Operating grants & contributions	538,444	536,837	100,376	93,351	638,820	630,188	1%
Capital grants & contributions	4,934	-			4,934	-	0%
General Revenues:							
Property taxes	1,703,911	1,754,107			1,703,911	1,754,107	-3%
Income Surtax	186,054	183,371			186,054	183,371	1%
Local option sales tax	273,202	182,393			273,202	182,393	0%
Unrestricted state grants	2,032,508	1,934,259			2,032,508	1,934,259	5%
Unrestricted investment earnings	30,319	32,933			30,319	32,933	-8%
Other revenue	1,345	68,454			1,345	68,454	-98%
Total Revenues	5,206,382	5,121,578	237,280	223,580	5,443,662	5,345,158	2%
Expenses:							
Instruction	3,375,686	3,403,514			3,375,686	3,403,514	-1%
Support services	1,271,385	1,301,781			1,271,385	1,301,781	-2%
Non-instructional programs	6,365	65	228,729	219,105	235,094	219,170	7%
Other expenditures	244,196	281,492			244,196	281,492	-13%
Total expenses	4,897,632	4,986,852	228,729	219,105	5,126,361	5,205,957	-2%
Change in net assets before Transfers	308,750	134,726	8,551	4,475	317,301	139,201	128%
Transfers	-	-	-	-	-	-	0%
CHANGE IN NET ASSETS	308,750	134,726	8,551	4,475	317,301	139,201	128%
Net assets beginning of year	4,342,800	4,208,074	50,976	46,501	4,393,776	4,264,387	3%
Net assets end of year	4,651,550	4,342,800	59,527	50,976	4,711,077	4,393,776	7%

Property tax and unrestricted state grants account for 72% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 95% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,206,382 and expenses were \$4,897,632. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services 2005 \$	Total Cost of Services 2004 \$	Net Cost of Services 2005 \$	Net Cost of Services 2004 \$
Instruction	3,375,686	3,403,514	2,672,127	2,710,208
Support Services	1,271,385	1,301,781	1,175,902	1,205,942
Non-instructional Programs	6,365	65	6,365	65
Other Expenses	244,196	281,492	64,195	104,576
TOTAL	4,897,632	4,986,852	3,918,589	4,020,791

- The cost financed by users of the District's programs was \$435,665.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$543,378.
- The net cost of governmental activities was financed with \$2,163,167 in property and other taxes and \$2,302,508 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$237,280 and expenses were \$228,729. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2005, the District increased meal prices for the first time in three years. This increase resulted in increased revenue to the School Nutrition Fund that the District has obligated for replacement of obsolete kitchen equipment in the near future.

INDIVIDUAL FUND ANALYSIS

As previously noted, East Buchanan Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,686,968, compared to last year's ending fund balances of \$1,747,784.

Governmental Fund Highlights

The District's Governmental Fund combined fund balance decreased in fiscal year 2005 from the previous year. A closer look at each individual Governmental Fund reveals the following:

General Fund

- The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$1,434,939 to \$1,204,656 for a difference of \$230,283. Fund balance was eroded by spending monies to cover expenditures for technology equipment since the State no longer provides technology funding. Computers in the PC lab needed to be replaced as well as older computers in classrooms that were not equipped to run newer software versions.
- Increased costs of salary/benefits with not enough new money resulting from declining enrollment helped to further erode the District's fund balance.
- The patrons of the district voted to renew the Instructional Support Levy due to expire June 30, 2005 for an additional five years. Hopefully the continuation of this funding source will help to stop the General Fund balance from further erosion. The continuation of the Instructional support Levy is very dependent upon the prosperity of the patrons of the District.

Management Fund

- The Management Fund balance decreased \$11,937 in fiscal year 2005 from fiscal year 2004. The decrease was partially the result of an increase in the district's Workman's Compensation and liability insurance coverage. Additionally, costs continue to escalate for the early retirement program offered by the district.

Physical Plant and Equipment Levy Fund

- The Physical Plant and Equipment Levy Fund balance increased \$41,441 in fiscal year 2005 from fiscal year 2004. Monies were received by the State for the a Fire Life Safety Grant. Expenditures for this grant were expended in fiscal year 2003.
- Voted Physical Plant and Equipment Levy monies were used for the final payment on a three-year capital loan note for the district's share of matching funds for the Vision Iowa Grant receive in fiscal year 2001.
- When certifying the fiscal year 2006 budget in April of fiscal year 2005, the Board of Education decreased the amount of Voted Physical Plant and Equipment Levy from \$1.37 per \$1,000 of assessed valuation to \$1.00 per \$1,000 of assessed valuation. The Board also discontinued the board imposed Physical Plant and Equipment Levy of \$.33 per \$1,000 of assessed valuation. The district will keep an eye on the fund balance in the Physical Plant and Equipment Levy and certify ensuing fiscal year budgets accordingly.

Capital Projects Fund

- The Capital Projects Fund balance increased \$141,249 during fiscal year 2005. A contributing factor for the increase in fund balance was the second year the district received monies for the Local Option Sales Tax approved in fiscal 2003. With no building project in progress the monies were allowed to accumulate for future projects.
- The district completed a new bus garage in fiscal 2005 with monies available from Local Option Sales Tax receipts.

“Other” Governmental Funds

- The “Other” Governmental Funds balance (Activity Fund and Debt Service Fund), has decreased over the previous fiscal year by \$1,256 in the Activity Fund. The district has no bonded indebtedness and therefore no long-term debt liability.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$50,976 at June 30, 2004 to \$59,527 at June 30, 2005, representing an increase of approximately 17%. For fiscal 2005, the District increased meal prices, resulting in the increase in net assets. This change resulted in an increase in revenue and net assets. Continued vigilance of the program’s aging equipment is becoming increasingly important and it may be necessary to replace out-dated equipment in the near future.

BUDGETARY HIGHLIGHTS

Over the course of the year, East Buchanan Community School District amended its annual budget one time to reflect additional revenue and.

The District’s receipts were \$173,930 more than budgeted receipts.

Total expenditures were less than budgeted, due primarily to the District’s budget for the General Fund. It is the District’s practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District’s certified budget should always exceed actual expenditures for the year.

In spite of the District’s budgetary practice, the certified budget was exceeded in the other expenses functional area due to the timing of disbursements paid at year-end.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$3.14 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 3.3% from last year. More detailed information about the District’s capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$149,247.

The original cost of the District’s capital assets was \$5.0 million. Governmental funds account for \$4.91 million, with the remainder accounted for in the Proprietary, School Nutrition Fund.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2004-2005
	Activities		Activities		School District		
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Land	48,355	48,355	-	-	48,355	48,355	0%
Construction in progress	-	-	-	-	-	-	0%
Buildings	2,794,253	2,699,060	-	-	2,794,253	2,699,060	4%
Improvements	78,326	59,776	-	-	78,326	59,776	31%
Equipment & Furniture	201,552	210,115	17,857	20,909	219,409	231,024	-5%
TOTAL	3,122,486	3,017,306	17,857	20,909	3,140,343	3,038,215	3%

Long-Term Debt

At June 30, 2005, the District had \$350,642 in capital lease and early retirement long-term debt outstanding. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage
	2005	2004	Change
	2005	2004	2004-2005
	\$	\$	
Capital Loan Notes	-	180,000	-100%
Capital Leases	20,668	59,293	-65%
Early Retirement	329,974	390,874	-16%
	-	-	-
TOTAL	350,642	630,167	-44%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- With salaries and benefits making up the majority of General Fund expenditures, settlements with any employee group, exceeding the rate of growth of state funding will have an adverse impact upon the District's General Fund budget.

- School financing is highly dependent upon student enrollment. The District's September 2004 enrollment decreased by 7.7 students, or 1.3% to 583.8.
- Although the District has experienced declining enrollment for the past three years, the District expects a slight increase or leveling off in future enrollment due to a housing development in progress within the District.
- In fiscal year 2005 the passage by the patrons of the District for the continuation of the Instructional Support Levy is a critical element in maintaining a sound financial foundation.
- The District has a three-year rotation of lease/purchase for transportation vehicles. The lease payment cost will be realized each fiscal year with resources from the Physical Plant and Equipment Levy Fund.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carol Moroney, Business Manager, East Buchanan Community School District, 414 5th Street North Winthrop, Iowa 50682.

BASIC FINANCIAL STATEMENTS

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	256,130	-	256,130
Other	1,931,119	34,071	1,965,190
Receivables:			
Property tax:			
Delinquent	25,802	-	25,802
Succeeding year	1,606,938	-	1,606,938
Accounts	-	5,958	5,958
Accrued interest:			
ISCAP	102	-	102
Due from other governments	292,930	-	292,930
Inventories	-	3,384	3,384
Capital assets, net of accumulated depreciation	3,122,486	17,857	3,140,343
Total assets	7,235,507	61,270	7,296,777
Liabilities			
Accounts payable	9,317	-	9,317
Salaries and benefits payable	361,130	-	361,130
Accrued interest payable	845	-	845
Deferred revenue:			
Succeeding year property tax	1,606,938	-	1,606,938
Other	-	1,743	1,743
ISCAP warrants payable	255,000	-	255,000
ISCAP accrued interest payable	85	-	85
Long-term liabilities:			
Portion due within one year:			
Capital leases	20,668	-	20,668
Early retirement	102,417	-	102,417
Portion due after one year:			
Early retirement	227,557	-	227,557
Total liabilities	2,583,957	1,743	2,585,700

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	3,101,818	17,857	3,119,675
Restricted for:			
Iowa early intervention block grant	7,906	-	7,906
Physical plant and equipment levy	100,433	-	100,433
Other special revenue purposes	51,095	-	51,095
Local option sales tax capital projects	260,867	-	260,867
Unrestricted	<u>1,129,431</u>	<u>41,670</u>	<u>1,171,101</u>
Total net assets	<u><u>4,651,550</u></u>	<u><u>59,527</u></u>	<u><u>4,711,077</u></u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	2,193,965	154,280	229,890	-
Special instruction	689,300	-	111,752	-
Other instruction	492,421	193,644	13,993	-
	<u>3,375,686</u>	<u>347,924</u>	<u>355,635</u>	<u>-</u>
Support services:				
Student services	89,026	-	6,669	-
Instructional staff services	90,796	-	-	-
Administration services	521,454	-	-	-
Operation and maintenance of plant services	334,686	50,869	-	-
Transportation services	235,423	36,872	1,073	-
	<u>1,271,385</u>	<u>87,741</u>	<u>7,742</u>	<u>-</u>
Non-instructional programs	<u>6,365</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	(33,629)	-	-	4,934
Long-term debt interest	6,448	-	-	-
AEA flowthrough	175,067	-	175,067	-
Depreciation (unallocated)*	96,310	-	-	-
	<u>244,196</u>	<u>-</u>	<u>175,067</u>	<u>4,934</u>
Total governmental activities	<u>4,897,632</u>	<u>435,665</u>	<u>538,444</u>	<u>4,934</u>
Business type activities:				
Non-instructional programs:				
Food service operations	<u>228,729</u>	<u>136,904</u>	<u>100,376</u>	<u>-</u>
Total	<u>5,126,361</u>	<u>572,569</u>	<u>638,820</u>	<u>4,934</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net assets

Net assets beginning of year

Net assets end of year

*This amount excludes the depreciation that is included in the direct expenses of the various programs.

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(1,809,795)	-	(1,809,795)
(577,548)	-	(577,548)
(284,784)	-	(284,784)
<u>(2,672,127)</u>	<u>-</u>	<u>(2,672,127)</u>
(82,357)	-	(82,357)
(90,796)	-	(90,796)
(521,454)	-	(521,454)
(283,817)	-	(283,817)
(197,478)	-	(197,478)
<u>(1,175,902)</u>	<u>-</u>	<u>(1,175,902)</u>
<u>(6,365)</u>	<u>-</u>	<u>(6,365)</u>
38,563	-	38,563
(6,448)	-	(6,448)
-	-	-
(96,310)	-	(96,310)
<u>(64,195)</u>	<u>-</u>	<u>(64,195)</u>
(3,918,589)	-	(3,918,589)
-	8,551	8,551
<u>(3,918,589)</u>	<u>8,551</u>	<u>(3,910,038)</u>
1,434,270	-	1,434,270
269,641	-	269,641
186,054	-	186,054
273,202	-	273,202
2,032,508	-	2,032,508
30,319	-	30,319
1,345	-	1,345
<u>4,227,339</u>	<u>-</u>	<u>4,227,339</u>
308,750	8,551	317,301
<u>4,342,800</u>	<u>50,976</u>	<u>4,393,776</u>
<u>4,651,550</u>	<u>59,527</u>	<u>4,711,077</u>

See notes to financial statements.

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2005

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Assets			
Cash and pooled investments:			
ISCAP	256,130	-	256,130
Other	1,490,731	440,388	1,931,119
Receivables:			
Property tax:			
Delinquent	19,906	5,896	25,802
Succeeding year	1,268,982	337,956	1,606,938
Accrued interest - ISCAP	102	-	102
Due from other governments	252,464	40,466	292,930
Total assets	3,288,315	824,706	4,113,021
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	4,879	4,438	9,317
Salaries and benefits payable	361,130	-	361,130
ISCAP warrants payable	255,000	-	255,000
ISCAP accrued interest payable	85	-	85
Deferred revenue:			
Succeeding year property tax	1,268,982	337,956	1,606,938
Other	193,583	-	193,583
Total liabilities	2,083,659	342,394	2,426,053
Fund balances:			
Reserved for:			
Iowa early intervention block grant	7,906	-	7,906
Unreserved, undesignated reported in:			
General fund	246,750	-	246,750
Special revenue funds	-	221,445	221,445
Capital projects funds	-	260,867	260,867
Unreserved, designated	950,000	-	950,000
Total fund balances	1,204,656	482,312	1,686,968
Total liabilities and fund balances	3,288,315	824,706	4,113,021

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2005

Total fund balances of governmental funds (Exhibit C)	\$ 1,686,968
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,122,486
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	193,583
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(845)
Long-term liabilities, including capital leases payable and early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(350,642)</u>
Net assets of governmental activities (Exhibit A)	<u><u>4,651,550</u></u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2005

	General Fund \$	Nonmajor Governmental Funds \$	Total \$
Revenues:			
Local sources:			
Local tax	1,488,307	654,203	2,142,510
Tuition	108,939	-	108,939
Other	161,003	200,976	361,979
State sources	2,370,434	280	2,370,714
Federal sources	200,238	39,750	239,988
Total revenues	<u>4,328,921</u>	<u>895,209</u>	<u>5,224,130</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	2,155,640	104,354	2,259,994
Special instruction	689,300	-	689,300
Other instruction	296,756	192,181	488,937
	<u>3,141,696</u>	<u>296,535</u>	<u>3,438,231</u>
Support services:			
Student services	89,026	-	89,026
Instructional staff services	75,612	14,166	89,778
Administration services	508,970	14,884	523,854
Operation and maintenance of plant services	323,047	20,170	343,217
Transportation services	197,989	17,313	215,302
	<u>1,194,644</u>	<u>66,533</u>	<u>1,261,177</u>
Non-instructional programs	<u>6,365</u>	<u>-</u>	<u>6,365</u>
Other expenditures:			
Facilities acquisition	-	176,424	176,424
Long-term debt:			
Principal	-	218,625	218,625
Interest and fiscal charges	-	10,402	10,402
AEA flowthrough	175,067	-	175,067
	<u>175,067</u>	<u>405,451</u>	<u>580,518</u>
Total expenditures	<u>4,517,772</u>	<u>768,519</u>	<u>5,286,291</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(188,851)</u>	<u>126,690</u>	<u>(62,161)</u>
Other financing sources (uses):			
Sales of materials and equipment	1,345	-	1,345
Operating transfers in	-	229,027	229,027
Operating transfers out	(42,777)	(186,250)	(229,027)
Total other financing sources (uses)	<u>(41,432)</u>	<u>42,777</u>	<u>1,345</u>
Net change in fund balances	(230,283)	169,467	(60,816)
Fund balances beginning of year	<u>1,434,939</u>	<u>312,845</u>	<u>1,747,784</u>
Fund balances end of year	<u>1,204,656</u>	<u>482,312</u>	<u>1,686,968</u>

See notes to financial statements.

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2005

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(60,816)

**Amounts reported for governmental activities in the
Statement of Activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the year as follows:

Expenditures for capital assets	251,375	
Depreciation expense	<u>(146,195)</u>	105,180

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.

(19,093)

Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

218,625

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.

3,954

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement		<u>60,900</u>
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Changes in net assets of governmental activities (Exhibit B)		<u><u>308,750</u></u>
---	--	-----------------------

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2005

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	34,071
Accounts receivable	5,958
Inventories	3,384
Capital assets, net of accumulated depreciation	<u>17,857</u>
Total assets	61,270
Liabilities	
Deferred revenue	<u>1,743</u>
Net assets	
Invested in capital assets, net of related debt	17,857
Unrestricted	<u>41,670</u>
Total net assets	<u><u>59,527</u></u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2005

	Nonmajor School Nutrition \$
Operating revenue:	
Local sources:	
Charges for service	<u>136,904</u>
Operating expenses:	
Non-instructional programs:	
Salaries	80,767
Benefits	24,286
Supplies	120,624
Depreciation	<u>3,052</u>
	<u>228,729</u>
Operating gain (loss)	<u>(91,825)</u>
Non-operating revenue:	
State sources	3,384
Federal sources	<u>96,992</u>
Total non-operating revenue	<u>100,376</u>
Change in net assets	8,551
Net assets beginning of year	<u>50,976</u>
Net assets end of year	<u><u>59,527</u></u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2005

	Nonmajor School Nutrition <u> </u> \$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	134,408
Cash payments to employees for services	(105,053)
Cash payments to suppliers for goods or services	<u>(104,943)</u>
Net cash used by operating activities	<u>(75,588)</u>
Cash flows from non-capital financing activities:	
State grants received	3,384
Federal grants received	<u>82,201</u>
Net cash provided by non-capital financing activities	<u>85,585</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	9,997
Cash and cash equivalents at beginning of year	<u>24,074</u>
Cash and cash equivalents at end of year	<u><u>34,071</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(91,825)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	14,791
Depreciation	3,052
Decrease (increase) in inventories	890
Decrease (increase) in accounts receivable	(2,517)
(Decrease) increase in deferred revenue	<u>21</u>
Net cash used in operating activities	<u><u>(75,588)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$14,791 of federal commodities.

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

1. Summary of Significant Accounting Policies

East Buchanan Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Winthrop, Aurora and Quasquerton, Iowa and the predominately agricultural territory in a portion of Buchanan County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, East Buchanan Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The East Buchanan Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instruction, support and other costs.

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004, through June 30, 2005, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	30-45 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The board of directors has designated \$950,000 of the unreserved fund balance for cash flow.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005 expenditures in the other expenditures function exceeded the amount budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 40.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
		\$
Debt Service Fund	Special Revenue Physical Plant and Equipment Levy Fund	186,250
Debt Service Fund	General Fund	42,777

This transfer moved revenues from the funds statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2005, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2004-05A	6/30/04	6/30/05	-	47	-	-
2005-06A	6/30/05	6/30/06	256,130	55	255,000	85
			<u>256,130</u>	<u>102</u>	<u>255,000</u>	<u>85</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2005, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	-	-	-

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2004-05A	3.000	2.463
2005-06A	4.000	3.903

5. Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	48,355	-	-	48,355
Total capital assets not being depr.	<u>48,355</u>	<u>-</u>	<u>-</u>	<u>48,355</u>
Capital assets being depreciated:				
Buildings	3,620,512	184,361	-	3,804,873
Improvements other than buildings	149,350	25,692	-	175,042
Furniture and equipment	884,894	41,322	-	926,216
Total capital assets being deprec.	<u>4,654,756</u>	<u>251,375</u>	<u>-</u>	<u>4,906,131</u>
Less accumulated depreciation for:				
Buildings	921,452	89,168	-	1,010,620
Improvements other than buildings	89,574	7,142	-	96,716
Furniture and equipment	674,779	49,885	-	724,664
Total accumulated depreciation	<u>1,685,805</u>	<u>146,195</u>	<u>-</u>	<u>1,832,000</u>
Total capital assets being depreciated, net	<u>2,968,951</u>	<u>105,180</u>	<u>-</u>	<u>3,074,131</u>
Governmental activities capital assets, net	<u>3,017,306</u>	<u>105,180</u>	<u>-</u>	<u>3,122,486</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	51,299	-	-	51,299
Less accumulated depreciation	<u>30,390</u>	<u>3,052</u>	<u>-</u>	<u>33,442</u>
Business type activities capital assets, net	<u>20,909</u>	<u>(3,052)</u>	<u>-</u>	<u>17,857</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	14,591
Other	3,484
Support Services:	
Instructional staff services	1,018
Administration services	3,100
Operation and maintenance of plant services	2,571
Transportation	<u>25,121</u>
	49,885
Unallocated depreciation	<u>96,310</u>
Total depreciation expense – governmental activities	<u>146,195</u>
Business type activities:	
Food services	<u>3,052</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Capital leases	59,293	-	38,625	20,668	20,668
Capital loan notes	180,000	-	180,000	-	-
Early retirement	390,874	43,464	104,364	329,974	102,417
Total	630,167	43,464	322,989	350,642	123,085

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement expenditures for the year ended June 30, 2005 totaled \$104,364

Capital Leases

The District has leased a bus under capital leases. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2005.

	<u>Year Ending June 30,</u>	<u>Amount</u>
		\$
	2006	21,590
Less Amount Representing Interest		<u>922</u>
Present Value of Minimum Lease Payments		<u><u>20,668</u></u>

7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$141,074, \$130,369, and \$125,399 respectively, equal to the required contributions for each year.

8. Risk Management

East Buchanan Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$175,067 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2005

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Revenues:						
Local sources	2,613,428	136,904	2,750,332	2,659,188	2,659,188	91,144
Intermediate sources	-		-			-
State sources	2,370,714	3,384	2,374,098	2,402,292	2,402,292	(28,194)
Federal sources	239,988	96,992	336,980	226,000	226,000	110,980
Total revenues	<u>5,224,130</u>	<u>237,280</u>	<u>5,461,410</u>	<u>5,287,480</u>	<u>5,287,480</u>	<u>173,930</u>
Expenditures:						
Instruction	3,438,231	-	3,438,231	3,730,000	3,900,000	461,769
Support services	1,261,177	-	1,261,177	1,516,700	1,600,000	338,823
Non-instructional programs	6,365	228,729	235,094	265,342	265,342	30,248
Other expenditures	580,518	-	580,518	500,856	500,856	(79,662)
Total expenditures	<u>5,286,291</u>	<u>228,729</u>	<u>5,515,020</u>	<u>6,012,898</u>	<u>6,266,198</u>	<u>751,178</u>
Excess (deficiency) of revenues over (under) expenditures	(62,161)	8,551	(53,610)	(725,418)	(978,718)	925,108
Other financing sources (uses) net	<u>1,345</u>	<u>-</u>	<u>1,345</u>	<u>-</u>	<u>-</u>	<u>1,345</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	(60,816)	8,551	(52,265)	(725,418)	(978,718)	926,453
Balance beginning of year	<u>1,747,784</u>	<u>50,976</u>	<u>1,798,760</u>	<u>1,627,948</u>	<u>1,627,948</u>	<u>170,812</u>
Balance end of year	<u>1,686,968</u>	<u>59,527</u>	<u>1,746,495</u>	<u>902,530</u>	<u>649,230</u>	<u>1,097,265</u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the modified accrual or accrual basis of accounting.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by the fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$253,300.

During the year ended June 30, 2005, expenditures in the other expenditures function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2005

Assets	Special Revenue Funds			Capital Projects	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Local Option Sales Tax	
	\$	\$	\$	\$	\$
Cash and pooled investments	67,573	55,533	96,881	220,401	440,388
Receivables:					
Property tax:					
Delinquent	2,344	-	3,552	-	5,896
Succeeding year	200,000	-	137,956	-	337,956
Due from other governments	-	-	-	40,466	40,466
Total assets	269,917	55,533	238,389	260,867	824,706
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	-	4,438	-	-	4,438
Deferred revenue:					
Succeeding year property tax	200,000	-	137,956	-	337,956
Total liabilities	200,000	4,438	137,956	-	342,394
Fund balances:					
Unreserved reported in:					
Special revenue funds	69,917	51,095	100,433	-	221,445
Capital projects funds	-	-	-	260,867	260,867
Total fund balances	69,917	51,095	100,433	260,867	482,312
Total liabilities and fund balances	269,917	55,533	238,389	260,867	824,706

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2005

	Special Revenue Funds			Capital Projects		Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Local Option Sales Tax	Debt Service	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	151,110	-	229,891	273,202	-	654,203
Other	2,728	190,925	2,176	5,147	-	200,976
State sources	112	-	168	-	-	280
Federal sources	-	-	39,750	-	-	39,750
Total revenues	<u>153,950</u>	<u>190,925</u>	<u>271,985</u>	<u>278,349</u>	<u>-</u>	<u>895,209</u>
Expenditures:						
Current:						
Instruction:						
Regular instruction	104,354	-	-	-	-	104,354
Other instruction	-	192,181	-	-	-	192,181
Support services:						
Instructional staff services	14,166	-	-	-	-	14,166
Administration services	14,884	-	-	-	-	14,884
Operation and maintenance of plant services	20,170	-	-	-	-	20,170
Transportation services	12,313	-	5,000	-	-	17,313
Other expenditures:						
Facilities acquisition	-	-	39,324	137,100	-	176,424
Long-term debt:						
Principal	-	-	-	-	218,625	218,625
Interest and fiscal charges	-	-	-	-	10,402	10,402
Total expenditures	<u>165,887</u>	<u>192,181</u>	<u>44,324</u>	<u>137,100</u>	<u>229,027</u>	<u>768,519</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,937)</u>	<u>(1,256)</u>	<u>227,661</u>	<u>141,249</u>	<u>(229,027)</u>	<u>126,690</u>
Other financing sources (uses):						
Compensation for loss of fixed assets	-	-	-	-	-	-
Operating transfers in	-	-	-	-	229,027	229,027
Operating transfers out	-	-	(186,250)	-	-	(186,250)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(186,250)</u>	<u>-</u>	<u>229,027</u>	<u>42,777</u>
Net change in fund balances	(11,937)	(1,256)	41,411	141,249	-	169,467
Fund balances beginning of year	<u>81,854</u>	<u>52,351</u>	<u>59,022</u>	<u>119,618</u>	<u>-</u>	<u>312,845</u>
Fund balances end of year	<u><u>69,917</u></u>	<u><u>51,095</u></u>	<u><u>100,433</u></u>	<u><u>260,867</u></u>	<u><u>-</u></u>	<u><u>482,312</u></u>

See accompanying independent auditor's report.

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance
	Beginning of Year				End of Year
	\$	\$	\$	\$	\$
Athletics	19,381	74,045	77,799	355	15,982
Annual	952	15,207	15,131	1,000	2,028
Breakfast club	45	-	-	-	45
Drama/speech	76	412	487	585	586
FBLA	3,865	1,922	3,392	(1,000)	1,395
Feed store	45	1,499	1,338	-	206
Fitness club	-	-	-	551	551
Shop club	-	2,497	4,002	-	(1,505)
Library club	2,506	4,378	6,191	750	1,443
Marketing	26	-	-	-	26
Music	656	3,250	3,284	11	633
Newspaper	-	661	461	-	200
Pep band	1,378	2,121	1,555	-	1,944
Color guard	49	68	-	-	117
Physics club	379	-	-	-	379
Spanish club	876	886	675	-	1,087
Speech	463	858	747	-	574
Elementary student council	1,417	5,297	3,399	-	3,315
Camp Wapsie Y	1,476	3,505	2,331	-	2,650
Softball fund raiser	7,126	11,016	12,127	(1,168)	4,847
Volleyball fund raiser	296	3,239	3,298	-	237
Girls basketball fund raiser	279	2,569	2,223	-	625
Girls track fund raiser	166	878	1,043	-	1
Boys basketball fund raiser	677	3,950	2,075	-	2,552
MS girls BB	3	175	174	-	4
Golf	1,046	-	74	-	972
Wrestling fund raiser	100	3,328	3,293	-	135
MS boys baseball	200	1,884	2,721	1,168	531
Football fund raiser	-	2,908	2,821	100	187
Music trip fund raiser	983	7,158	4,821	-	3,320
Sound system fund raiser	433	-	-	-	433
Class of 2005	2,750	1,926	4,598	(78)	-
Class of 2006	753	16,167	13,077	-	3,843
Class of 2007	30	669	121	-	578
Class of 2008	-	320	-	-	320
Class of 2009	-	528	505	-	23
Class of 2010	-	82	-	-	82
Interest	-	1,102	-	(1,102)	-
Advanced placement	137	2,458	2,471	-	124
National Honor Society	38	265	156	(74)	73
NHS care project	2	660	711	74	25
Self contained special educ.	22	-	-	-	22

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Middle school student council	878	2,851	3,012	-	717
Student commons	1,108	1,392	892	-	1,608
HS student council	2,818	7,917	7,832	(1,172)	1,731
Technology	816	71	-	-	887
Student Ins.	-	806	806	-	-
Beginning accruals	(1,900)	-	(1,900)	-	-
Ending accruals	-	-	4,438	-	(4,438)
Total	<u>52,351</u>	<u>190,925</u>	<u>192,181</u>	<u>-</u>	<u>51,095</u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2005	2004	2003	2002
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,142,510	2,138,653	1,808,640	1,839,603
Tuition	108,939	61,589	75,110	62,438
Other	361,979	400,568	379,569	382,045
State sources	2,370,714	2,272,432	2,477,700	3,396,355
Federal sources	239,988	241,422	112,849	135,629
Total revenues	<u>5,224,130</u>	<u>5,114,664</u>	<u>4,853,868</u>	<u>5,816,070</u>
Expenditures:				
Instruction:				
Regular instruction	2,259,994	2,178,189	2,001,035	1,998,940
Special instruction	689,300	757,733	847,381	787,391
Other instruction	488,937	433,991	320,867	322,372
Support services:				
Student services	89,026	78,703	73,333	91,748
Instructional staff services	89,778	81,494	84,712	35,637
Administration services	523,854	556,540	501,781	450,399
Operation and maintenance of plant services	343,217	361,179	352,174	328,299
Transportation services	215,302	305,523	187,452	265,417
Central support services	-	-	-	6,242
Non-instructional programs	6,365	65	1,040	264
Other expenditures:				
Facilities acquisition	176,424	377,044	1,674,132	63,742
Long-term debt:				
Principal	218,625	217,777	179,300	-
Interest and other charges	10,402	11,225	15,003	-
AEA flowthrough	175,067	176,916	190,422	187,486
Total expenditures	<u>5,286,291</u>	<u>5,536,379</u>	<u>6,428,632</u>	<u>4,537,937</u>

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
East Buchanan Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Buchanan Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 10, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered East Buchanan Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 05-I-A is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Buchanan Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of East Buchanan Community School District and other parties to whom East Buchanan Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of East Buchanan Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

October 10, 2005

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

05-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting:

05-II-A Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

05-II-B Certified Budget: Expenditures for the year ended June 30, 2005, exceeded the amount budgeted in the other expenditures function.

Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

District Response: We did amend our budget but year-end expenditures were more than anticipated.

Conclusion: Response accepted.

05-II-C Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

05-II-D Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

05-II-E Business Transactions: We noted no transactions between the District and District officials or employees.

05-II-F Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.

05-II-G Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

05-II-H Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.

05-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

05-II-J Certified Annual Report (CAR): The CAR was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

05-II-K Deficit Balances: The Student Activity Fund has one account with a deficit balance at June 30, 2005.

Recommendation: The District should continue to monitor this account and investigate alternatives to eliminate this deficit.

District Response: We are working on ways to eliminate this deficit.

Conclusion: Response accepted.